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Re: Comments on Climate Action Team Report to the Governor and Legislature and the Macro-Economic Assessment.

Thank you for the opportunity to provide these remarks about the Climate Action Team (CAT) Draft Report and the Macro-Economic Assessment.

As you may know, the Silicon Valley Leadership Group (SVLG), founded in 1978 by David Packard of Hewlett-Packard, represents 200 of the Silicon Valley's most respected employers. SVLG members collectively provide nearly 250,000 jobs, or one of every four private sector jobs in Silicon Valley.

We support and applaud the proactive direction the state is taking in response to the important issue of climate change. We recognize that this will have a far-reaching impact on companies in Silicon Valley as well as the rest of the state and world. The report shows optimism about what California can do to respond to this issue effectively.

General

Some of reference documents were difficult to review as they are not publicly available and have not been peer-reviewed. We encourage you to make all reference material available for review. We see this draft as a beginning for a continued dialog among the stakeholders and recognize the need to engage people at all levels of government, industry, and the community to discuss policies to reduce climate change emissions. In addition, we recommend that climate/energy policies be coordinated with other states, particularly those within the WECC.

The report includes a long term roadmap for the Governor's goals, but we would like to see more information regarding the process steps for implementing the outlined strategies. What are the next steps after this report is finalized?

Comments on Recommendations

We agree with the report that the first step to reducing emissions in California is to establish an accurate baseline. The baseline should consider trade-offs with other environmental issues such as energy reliability of wind power (i.e., the use of spinning reserves to compensate for intermittency). Potential environmental and power trade-offs should be explicitly considered for all energy alternatives. The ASTM draft standard electric power generation systems (ASTM 06.10.71) life-cycle provides an excellent framework for these considerations and should be used.

We feel it would be very valuable to understand the accuracy and uncertainty of each of the emission reduction strategies and the resulting cost impacts should be reported for each of the strategies listed.

Furthermore, the implications of these policy recommendations on key California infrastructure should be formally discussed. These infrastructure elements include, but are not limited to, water supply and quality, agriculture, and transportation.

In Table 5-2 specifically, we recommend that:
The list of alternatives should also promote of promising and emerging technologies such as clean coal (with sequestration if possible), media on demand, and a variety of 'telecommuting' strategies.

- The greenhouse gases should be re ported across the life cycle for renewable technologies. For example, it is important to include PFC emissions from the manufacture of solar, which use the same manufacturing technology as semiconductors and whose use of silicon has recently surpassed that of the semi-conductor industry. In addition, the habitat loses and em issions for biomass should similarly be included.

- SVLG strongly supports the emphasis on continued and expanded efficiency standards and recommends that this emphasis be further expanded to generation and T&D efficiency.

- Enhancing outreach and public participation is important in general, but has no direct connection to transportation energy efficiency. We recommend that the CAT consider grouping details of 'education and outreach' in its own complete section. In this section focus on the technical, infrastructure and policy components of transportation energy efficiency.

Alternatives to cap and trade or cap and off-set programs should also be considered. In particular, the use of performance standards for efficiency and generation operations, when widely adopted either through mandates or voluntary programs might provide practical reduction strategies without inadvertently reducing economic output. We would strongly encourage the CAT to compare the options and carefully analyze the pros & cons, which sectors or businesses are affected, how much the options cost or provide benefit, whether the proposed solutions effectively address the problem, etc. The Team should consider the circumstances of organizations that through growth have fewer remaining options to reduce CO2 em issions to previous yearly levels. This depth of analysis, and clear explanations to the impacted business community will ultimately provide the strongest possible foundation for policy recommendations.

Comments on the Macroeconomic Assessment

Overall, the Macroeconomic Assessment and "Documentation of Inputs to Macroeconomic Assessment of the DRAFT Climate Action Team Report to the Governor and Legislature" are good general summaries for the proposed policy options. We greatly appreciate the additional clarity provided in the "Documentation of Inputs." Some additional detail that would be valuable to aid in discussions would be brief explanations of the data sources, assumptions and methods used in for each of the data tables. Also, although the numbers are apparently consistent with those used by the California Energy Commission, the fuel and energy cost numbers appear so conservative (low) as to seem unrealistic. This points to another economic circumstance that the EDRAM model (and existing analyses) may not be able to reflect, and that is energy price volatility. If there is any way of displaying price ranges and doing some extrapolation on the effects of price volatility, the economic analysis will be still more effective.

The Macroeconomic Assessment and Documentation of Inputs do not provide a lot of detail on the employment assumptions. The Macroeconomic Assessment asserts that once the results for table 5.1 strategies are taken into account, the overall result will be positive for employment. However, the analysis from just the table 5.2 strategies is ambivalent on those results. It would be helpful if these